

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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SUBJECT: TIES WITH EAST EUROPE

1. FOLLOWING IS TEXT OF WASHINGTON POST EDITORIAL ENTITLED
"TIES WITH EASTERN EUROPE" WHICH APPEARED OCTOBER 27.

2. QUOTE. THE PATTERN OF GRADUAL PROGRESS IN AMERICAN RE-
LATIONS WITH COMMUNIST EAST EUROPE STANDS TO BE DISRUPTED
IF A SOLUTION IS NOT SPEEDILY FOUND TO A DISPUTE INVOLVING
CZECHOSLOVAKIA. THOUGH PRAGUE IS, IN THE SECRETARY OF
STATE'S WORDS, "LAST ON OUR LIST" IN EAST EUROPE BECAUSE OF
THE SOVIET INTERVENTION OF 1968, WASHINGTON AND PRAGUE UNTIL
RECENTLY HAD BEEN EDGING BACK TOWARD NORMAL RELATIONS. THE
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CZECHS AGREED LAST JULY TO PAY SOME \$20 MILLION AGAINST THE

\$50 MILLION CLAIMED FOR AMERICAN PROPERTY NATIONALIZED AFTER 1945. IN RETURN, THEY WERE TO RECEIVE (1) ACCESS TO CREDITS, (2) AN END TO TARIFF DISCRIMINATION AGAINST THEIR GOODS AND (3) SOME 18 TONS OF THEIR GOLD SEIZED BY THE WAR-TIME ALLIES FROM NAZI GERMANY. THE SENATE FINANCE COMMITTEE, HOWEVER, THEN PASSED A SPECIAL-INTEREST TRADE BILL AMENDMENT REQUIRING PRAGUE FIRST TO PAY NOT 40 CENTS BUT 100 CENTS ON EACH DOLLAR OF CLAIMS. THE STATE DEPARTMENT WORRIES THAT THIS DEMAND WILL JEOPARDIZE U.S.-CZECH RELATIONS. THE CLAIMANTS RESPOND THAT THE CZECHS WILL COUGH

UP THE EXTRA 60 CENTS OUT OF CONCERN THAT OTHERWISE THEY WOULD BE FROZEN OUT OF THE CONSIDERABLE BENEFITS PROMISED THEM IN THE TRADE BILL THAT NOW SEEMS IN PROSPECT.

3. IN THE LIGHT OF PAST AMERICAN-CZECH RELATIONS, THE IRONIES ARE AMPLE. IMMEDIATELY AFTER THE WAR, THE AMERICAN GOVERNMENT, VIGOROUSLY REPRESENTING THE INTERESTS OF NATIONALIZED AMERICAN CORPORATIONS, PRESSED THEIR CLAIMS (AND OTHER POLITICAL DEMANDS) HARD. THE CZECHS BALKED. WHETHER A MORE UNDERSTANDING AMERICAN ATTITUDE MIGHT HAVE HELPED PREEMPT THE 1948 COMMUNIST COUP REMAINS A QUESTION THAT DIVIDES AMERICAN HISTORIANS. TODAY, HOWEVER, SOME AMERICAN CORPORATIONS FEEL THAT THEIR GOVERNMENT, SPECIFICALLY THE STATE DEPARTMENT, IS NOT REPRESENTING THEM VIGOROUSLY ENOUGH: HENCE THE END RUN TO CONGRESS. THE STATE DEPARTMENT'S NEW ATTITUDE IS THAT THE FURTHER SATISFACTION OF THESE CORPORATE INTERESTS SHOULD YIELD TO ITS BUILDING OF A POLITICAL EDIFICE IN WHICH RELATIONS WITH EAST EUROPE PROCEED STEADILY AND KEEP UP WITH RELATIONS WITH THE SOVIET UNION. WITH THE ACCORD ON SOVIET EMIGRATION HAVING JUST FREED THE TRADE BILL FROM A TWO-YEAR POLITICAL ICEJAM, THE DEPARTMENT IS ANXIOUS LEST EVERY EAST-BLOC COUNTRY EXCEPT CZECHOSLOVAKIA COME IN OUT OF THE COLD.

4. TRADE WITH COMMUNIST COUNTRIES IS OFTEN PORTRAYED BY ITS ADVOCATES AS A MEDIUM OF PEACE. THIS VIEWPOINT FITS OUR CALVINIST HERITAGE AND OUR ECONOMIC APPETITE ALIKE. BY ITS STUDENTS, HOWEVER, SUCH TRADE IS SEEN -- CORRECTLY UNCLASSIFIED

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-- AS A POLITICAL AS WELL AS AN ECONOMIC ACTIVITY, ONE WHICH SOMETIMES ENHANCES DIRECT POLITICAL TIES AND SOMETIMES CUTS ACROSS THEM. IN TRADE WITH COUNTRIES WHOSE ECONOMIC ACTS ARE ENTIRELY STATE-DIRECTED, IT CANNOT BE OTHERWISE, THOUGH AMERICANS, WHOSE OWN ECONOMIC ACTS ARE AT A CERTAIN REMOVE FROM THE STATE, ARE NOT ACCUSTOMED TO THINKING SO. WHETHER IN THE CZECH CASE 40 CENTS ON THE DOLLAR IS A SUITABLE COMPROMISE OF THE CORPORATE CLAIMS

AND NATIONAL INTERESTS INVOLVED, WE ARE NOT PREPARED TO
SAY. THE SENATE'S CALENDAR PUTS IT UP TO PRAGUE TO DECIDE
WHETHER TO MAKE A NEW AND SWEETER OFFER OR TO GAMBLE BY
STICKING WITH ITS PREVIOUS ONE. IN ANY EVENT, WE SHOULD
ALL UNDERSTAND THAT, IN DEALING WITH COMMUNIST GOVERNMENTS,
TRADE AND DIPLOMACY ARE ONE.

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